

NORTH THURSTON SCHOOL DISTRICT No. 3
Thurston County, Washington
September 1, 1993 Through August 31, 1994

Schedule Of Findings

1. Internal Controls Over Enrollment Reporting Should Be Improved

State funding of basic education is based, in part, upon the number of full-time equivalent (FTE) students enrolled in and attending a school district. When students are enrolled part time in one district and part time in another district, or a nearby community college, the FTE must be split so each district or school receives a proportionate share of the funding. North Thurston School District does not have an adequate internal control system to assure it is only reporting its share of enrollment FTEs. We reviewed enrollment at two of the district's high schools and noted the following at one of them:

- a. The district overclaimed its proportionate share of FTEs for students attending the New Market Vocational Skill Center run by Tumwater School District.
- b. The district overclaimed its proportionate share of FTEs for students enrolled in the Running Start Program at South Puget Sound Community College.

Washington Administrative Code (WAC) 392-121-136(1) states, in part:

. . . No student, including a student enrolled in more than one school district, shall be counted more than one full-time equivalent student on any count date

WAC 392-127-725 states in part:

. . . the definition of "annual full-time equivalent student" . . . means and includes the quotient obtained by dividing the annual total of an eligible student's full-time running start program enrollment counts

WAC 392-127-805, in reference to students participating in the running start program, states in part:

. . . Eligible students shall be so reported as full-time equivalent students, or fractions thereof. . . .

However, even accounting for this dispensation, North Thurston School District overclaimed its share of the FTEs for Running Start students.

As noted, enrollment reports are an integral part of the state funding formula for school districts. If these reports are not submitted accurately, the Superintendent of Public Instruction (SPI) cannot distribute basic and special education funds in accordance with legislative intent and requirements.

We were unable to determine, in a cost effective manner, the magnitude of the error in the number of students claimed on students enrollment reports. However, all errors noted in our sample counts resulted in the district's claiming more enrollment than it was entitled to receive.

This condition occurred because district enrollment personnel lacked a control system to accurately report the eligible portion of a full-time equivalent student.

We recommend the district establish and implement control procedure to ensure accurate reporting of student enrollment. We further recommend the district contact and work with SPI to determine how the reporting errors affect the district's basic and/or vocational education funding.

2. Controls Over District Equipment And Materials Need Improvement

On September 30, 1994, North Thurston School District officials notified the State Auditor's Office of the loss of the following items: a weed eater, a generator, a chain saw, a cement mixer, two rolls of carpet and a paint striper. The missing items, except for the carpet, were carried on the district equipment inventory at a value of \$8,647.91. The insurance company carrier paid \$8,547.91 for the loss.

The district had a policy allowing employees to use district equipment upon receiving written authorization. However, the requirement for prior written approval was not always enforced. Consequently, employees sometimes removed district equipment without providing documentation of their actions. Although the loss was investigated by the Lacey Police Department, the source of the loss could not be definitively identified.

Our review of this matter also revealed that the district does not consistently place, in its general fixed asset account group, purchases that qualify as capital outlay. Further, the district does not, consistently and periodically, take an inventory of all assets.

This loss occurred because:

- a. The district did not enforce its policy requiring prior, written, approval before employees removed district assets.
- b. Items qualifying as capital purchases were not so identified during the purchasing process.
- c. There was an absence of periodic physical inventory of assets.
- d. District assets were not always marked, tagged, or otherwise clearly identified as belonging to the district.

Corrective action the district has taken to this point:

- The district has changed its policy to no longer allow private use of district property.
- The district has improved control over property and equipment with distinctive marking.
- The district has reduced the number of open purchase orders and lowered the dollar amount of a purchase requisition requiring the maintenance director's signature.

We recommend all items to be capitalized be identified during the purchasing process, and upon receipt be tagged and recorded in the general fixed asset account group to assure proper accountability.

We further recommend periodic physical inventory of assets.